

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS

SUPERIOR COURT

99-E-0410

IN THE MATTER OF THE LIQUIDATION OF
TUFTS HEALTH PLAN OF NEW ENGLAND, INC.

LIQUIDATOR'S SECOND INTERIM STATUS REPORT

Paula T. Rogers, Commissioner of Insurance of the State of New Hampshire and the duly appointed Liquidator of Tufts Health Plan of New England, Inc. in the above-captioned liquidation proceeding, for her Second Interim Status Report for the period ending July 31, 2000, states as follows:

1. This Court entered an Order of Liquidation on January 3, 2000 against Tufts Health Plan of New England ("TNE"). Under the Order, coverage under TNE policies ceased on February 2, 2000.¹
2. The Liquidator filed her First Interim Status Report on May 19, 2000, covering the period from the commencement of this case through April 30, 2000. Since the First Interim Status Report, the Liquidator has continued the work of marshaling the assets of the liquidating estate, designing and implementing the proof of claim process, and supervising the wind-down of TNE operations.
3. The Liquidator and her agents have reviewed the financial records of TNE, worked to identify additional assets, and have pursued conversion of non-liquid assets into cash. At July 31, cash and cash equivalents total \$42.3 million. Some of these

¹ TNE was incorporated on or about January 31, 1995 as a health maintenance organization ("HMO") by certain parent and affiliate organizations: Tufts Health Plans, Inc., Tufts Affiliated Health Maintenance Organization, Inc., and TAHMO Holdings, Inc. These parent and affiliate organizations are collectively referred to in this Interim Report as "TAHMO."

assets include furniture, fixtures and equipment located at TNE's former regional offices in Maine and Rhode Island. A substantial portion of the remaining recorded assets' book value, (\$9.5 million), represents premium receivables due from former TNE policyholders. The realizable value of these assets will likely be a substantial discount from the stated book value, based upon adjustments and other payment defenses claimed by the policyholders, even in light of the statutory prohibition against policyholders setting off premiums due TNE. The Liquidator's agents continue to pursue additional unrecorded assets, but are unable at this time to project the anticipated net realizable value of those assets.

4. The Liquidator established July 10, 2000 as the bar date ("Bar Date") or deadline for the filing of all Proofs of Claims against TNE. Notice of the Proof of Claim ("POC") process and the Bar Date were published in various media and discussed in several public meetings. In addition, written notice of the Bar Date was sent to all known creditors and policyholders. By the Bar Date, the Liquidator had received 6,386 timely filed Proofs of Claims for a total face amount of \$79,860,356.07. Included in the 6,386 timely filed POCs, are 567 POCs with "unknown" stated as the claimed amount. The POCs have been inventoried, and an acknowledgement of receipt has been sent to all claimants. Each claim has been classified based on claim category and is in the process of being reviewed, researched and reconciled.² The Liquidator and her agents will recommend to this court allowance of the claims in the amounts that she deems

² All POCs postmarked and received after the bar date are designated "untimely filings". As of July 31, 2000, 98 POCs, with liquidated claims totaling \$194,578, have been designated as "untimely filings." Included within the 98 POC's are 9 POC's filed in unliquidated or unknown amounts. A notice requesting a full and complete explanation of the failure to timely file has been sent to all claimants whose POCs have been designated "untimely filings." Unless

appropriate, after consideration of any objections and defenses relating to the submitted claims.

5. The Liquidator continues to support the Ancillary Receiver appointed by the Superior Court for Providence County, Rhode Island, by providing information and data sufficient for required court filings. Funds totaling \$1.511 million continue to be controlled by the Ancillary Receiver as “Special Deposits.” The Liquidator is currently gathering information to determine the total amounts claimed by Rhode Island claimants. Actuarial estimates of this amount have forecast that less than \$500,000 in claims would be payable to Rhode Island residents. The Liquidator will seek recovery of any Special Deposits remaining after payment of the Rhode Island claims benefited by the Special Deposits.

6. Between December 20, 1999 and July 31, 2000, the Liquidator paid approximately \$31.9 million in costs of administering the liquidating estate (Class I claimants), of which approximately \$22.2 million was paid to contracted providers for delivery of post-petition medical services and products to TNE insured individuals.

7. Between December 20, 1999 and April 30, 2000, the Liquidator has continued to use existing TNE and TAHMO claims payment systems to adjudicate all provider claims and to pay Class I contracted provider claims. In recognition of the reduced volume and scope of administrative services provided, the administrative fees payable to TAHMO in connection with its services rendered in this proceeding were reduced, retroactive to April 1, 2000.

claimants can demonstrate good cause why their POC's were not timely filed, the Liquidator will recommend that the untimely POC's be disallowed.

8. As set forth in the Liquidator's First Interim Report, the Liquidator filed a complaint in this Court on March 31, 2000 (the "Complaint"), seeking legal and equitable relief on a number of grounds, including holding TAHMO responsible for the anticipated deficiency in TNE's ability to satisfy the claims of its creditors, subscribers and policyholders. Since the filing of the Complaint, the Liquidator, TAHMO and other parties have engaged in discussions and negotiations concerning a possible consensual resolution of the Complaint without the costs, expenses and resources that full-scale litigation of the issues raised in the Complaint would necessarily entail. TAHMO has sought and received the Liquidator's consent to extend the time in which it and its related entities must answer the Complaint. As of July 31, 2000 (and as of the date that this Second Interim Report was filed), the time in which TAHMO must answer or otherwise plead to the Complaint has not expired, although the time for TAHMO to file a petition attempting to remove the Complaint to the United States District Court has expired. A status conference on the Complaint is currently scheduled for October 6, 2000.

9. The Liquidator continues to place a priority on addressing member complaints throughout the liquidation process. To that end, the Liquidator has established an accelerated process for resolving complaints received from members experiencing continued billings and collection efforts from medical providers. The accelerated process seeks to protect members from being inappropriately billed for services and/or from being turned over for processing by collection agencies. The process emphasizes educating providers on the terms of the contractual agreements and statutes that protect members from inappropriate billing practices. The existence and goals of this complaint resolution process have been shared with the general public

through public meetings. In addition, regulators from Maine and Rhode Island are forwarding such complaints to the Liquidator for quick resolution.

10. The Liquidator plans to continue regular communication with all TNE subscribers, policyholders, providers, brokers or agents, general creditors and other claimants and interested parties. Media to be used in such communication will include, but not be limited to, public meetings, the New Hampshire Insurance Department's web page (www.state.nh.us), written correspondence, and press releases.

Respectfully submitted,

PAULA T. ROGERS, COMMISSIONER
OF INSURANCE OF THE STATE OF
NEW HAMPSHIRE

By her attorneys,

PHILIP T. MCCLAUGHLIN
ATTORNEY GENERAL

Dated: September 1, 2000

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CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of September, 2000, a copy of the foregoing Liquidator's Second Interim Status Report, was served upon the parties listed on the attached service list via first class mail, postage prepaid.

Walter L. Maroney